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Singapore

Singapore Market Guide - Confectionery

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Report Highlights:

The Singapore market for confectionery is valued at over \$185 million. An overwhelming majority of locally produced and imported chocolates are re-exported.

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The Singapore Dollar (S\$) in this report has been translated to US\$ at the rate of S\$1.659 to US\$1.00

1. Singapore in profile

Singapore (population of 3 million) is one of the most affluent nations in Asia with a GDP per-capita of about US\$28,500 today. About 23% of the population are aged 15 years and below, which represents a sizeable pool of future consumers who will be an important driver for increased consumption of higher processed food and beverages in future.

Over 76% of its population make up the middle to upper income group of consumers, all of whom lead an urban lifestyle and represent the bulk of the market for higher processed food and beverages today.

Singapore's economy is based mainly on its strong export manufacturing and financial and business service sectors. Until recently, its economy has been growing in excess of 8% per annum. In 1998, Singapore reported annual GDP growth of about 1.5%, after growth contracted in the second half of that year as a result of the impact of the recent Asian economic downturn. On a positive note, The government forecasts Singapore's economy to grow by 3 % in 1999. The government forecasts economic growth for 2000 to be between 4.5% to 6.5%.

2. Singapore's importance as a regional distribution hub

Singapore is generally recognised as Southeast Asia's main distribution hub. The facilities offered by its airport and seaport have encouraged a large number of businesses, including food manufacturers and ingredient suppliers, to base their operations in Singapore to serve their regional markets.

In 1998, US\$ 1.41 billion of food and beverages were re-exported from Singapore to various countries in the world. Of this, around 30% were shipped to ASEAN countries, with Malaysia being the main destination. A large proportion of imported confectionery products is re-exported to as many as 50 different countries worldwide. Re-export to neighbouring ASEAN form significant proportions, as much as 60% for some product segments, of the re-export trade out of Singapore. More details on this matter are provided in the next chapter to this report.

3. Singapore's confectionery market

Singapore's market for confectionery is supplied by both locally manufactured products and by imports. The vast majority of confectionery is imported.

3.1 Market size

The market is made up of around US\$65 million in imports of chocolates, medicated sweets and other sugar confectionery and over US\$ 120 million of local production of chocolates and chocolate products, largely ingredients. Close to 95% of the locally produced chocolates and chocolate products are directly exported to overseas markets. No separate information is provided for local production of other confectionery because it is considered a minor industry by the government.

Singapore's chocolate market is divided into segments which cover:

- a) Low end Asian produced dark compound chocolates.
- b) Chocolate bars and novelties with Malaysian or second-tier brands.
- c) International branded chocolate products.
- d) Gift chocolates, including specialty chocolates.

The market for sugar confectionery includes the following segments:

- a) Traditional sugar candies (mainly Chinese style products).
- b) Imported hard boiled sweets and toffees.
- c) Sugar based novelties.
- d) Medicated sweets.

No commercial market exists for chewing gum, bubble gum or other gum based confectionery as the government banned commercial import of these products.

3.2 Imports

The Table below provides the total imports of confectionery for the five years from 1994 to 1998.

Confectionery Imports (Tonnes)					
	1994	1995	1996	1997	1998
Chocolates	6,954.4	5,778.8	8,450.0	9,728.3	7,610.8
Medicated sweets	317.8	299.0	326.2	165.8	180.7
Other sugar confectionery	6,430.5	6,013.9	8,299.2	8,510.7	6,534.8
Total (Tonnes)	13702.7	12,091.7	17,075.4	18,404.8	14,326.3
Total (US\$ million)	72.0	67.7	76.4	85.3	64.1
% change in imports (Tonnes)		-11.8	+41.2	+7.8	-22.2
Source: Department of Statistics					

The top 3 major supply countries in 1998 are shown by the Table below.

Major Supply Countries and Their Import Market Shares (1998)		
Chocolates	Medicated Sweets	Other Sugar Confectionery
USA (19%)	Malaysia (49%)	Malaysia (25%)
Australia (19%)	UK (20%)	China (12%)
Japan (14%)	USA (7%)	Japan (7%)
Source: Department of Statistics		

A large number of countries supply confectionery to Singapore. In 1998, there were 35 countries involved in supplying chocolates, 16 countries involved in supplying medicated sweets and 38 countries involved in supplying other sugar

confectionery to Singapore.

The USA is a major supplier of confectionery to Singapore, with the largest import market share for chocolates, third largest for medicated sweets and seventh largest for other sugar confectionery. Its major competitors for confectionery are Malaysia (sugar confectionery), Australia (chocolates), Japan (chocolate products and sugar confectionery) and China (sugar confectionery).

3.3 Re-exports

The Table below provides the total re-exports of confectionery from Singapore from 1994 to 1998. Chocolates and other sugar confectionery form over 98% of total imports in 1998.

Confectionery Re-Exports (Tonnes)					
	1994	1995	1996	1997	1998
Chocolates	1,664.1	1,581.4	2,100.1	3,222.1	1,788.9
Medicated sweets	62.0	67.8	185.0	37.5	75.2
Other sugar confectionery	1,987.2	2,420.9	2,875.0	3,440.6	2,205.2
Total (Tonnes)	3,713.3	4,070.1	5,160.1	6,700.2	4,069.3
Total (US\$ million)	15.2	18.6	19.4	22.4	15.9
% change in total re-exports (Tonnes)		+9.6	+26.8	+29.8	-39.3
Source: Department of Statistics					

Singapore re-exports chocolates to 37 different countries, medicated sweets to 12 different countries and other sugar confectionery to 50 different countries.

Re-exports to ASEAN countries formed significant proportions of total re-exports quantities in 1998, as shown below:

- Chocolates: 40 %
- Medicated sweets : 30 %
- Other sugar confectionery : 66 %

3.4 Local production

The Table below provides the total value of local chocolate production for the five years from 1993 to 1997. No details are available on other confectionery production as the government considers such production to be a minor industry. At the time of writing, the statistics for 1998 has not yet been released by the government.

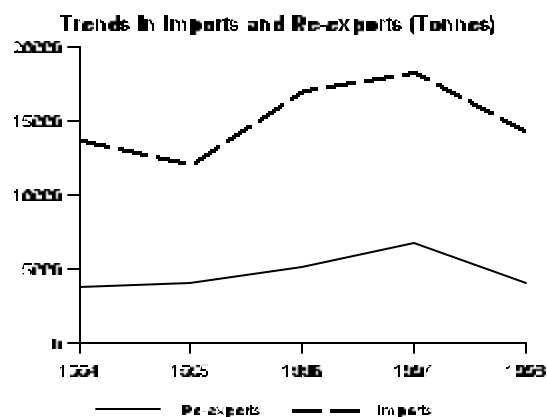
Local Production of Chocolate and Chocolate Products (Sales : US\$ million)					
	1993	1994	1995	1996	1997
Chocolates	88.1	101.1	105.5	113.9	118.3
Note: Production quantity in tonnage is not provided by the government.					
Source: Economic Development Board					

The Table above shows that local production of chocolate and chocolate products has been growing for the five year period to 1997. In 1997, seven local businesses were involved in the production of chocolates and chocolate products, including ingredients, with total sales valued at US\$ 118.3 million. According to the Economic Development Board, these companies are involved in both the local and export markets.

In Singapore, these companies face very strong competition from imported chocolates from the USA, Malaysia and Australia.

Export markets are very important to the local chocolate manufacturers. In 1997, US\$ 112.6 million of locally manufactured chocolates and chocolate products were directly exported to overseas markets, forming a very large proportion of local production. Most of the exports were for chocolate ingredients. Major export markets include Hong Kong, Malaysia and Saudi Arabia.

3.5



Growth prospects

The Chart below shows the trends in imports and re-exports of confectionery over the five years to 1998.

The Table above indicates that overall imports as well as re-exports of confectionery declined in 1998 because the confectionery market was negatively affected by the economic slowdown experienced in Singapore last year, bringing the levels down to those seen in 1994.

Trade sources comment that the confectionery market is likely to remain stagnant or show slow growth of less than 5% over the next three years.

They added that, to be successful in the market for the long term, the most important factors are the price and support given to the brand by the supplier. The confectionery market is now saturated with products of various types and brands, all competing in a market of around 3 million. The major players today compete in niche segments to find

growth. The players are also careful in targeting their customers, particularly those that have not been fully exploited yet.

On the positive front, opportunities still continue to exist in the Singapore niche market segments such as:

- The gifts market targeting the major festive periods, particularly Christmas, Hari Raya and Chinese New Year as well as Valentine's Day, Mother's Day and Teacher's Day. Chocolates and specialty chocolate products as well as specialty sugar confectionery see high demand during these periods. The middle to high income local consumers should be targeted with high quality products that have high quality packaging. The western expatriate consumers should form a ready consumer base for these products. US exporters should also work closely with major retailers and gift hamper companies to establish their long term presence.
- Sugar confectionery targeted at children. The Singapore market still has a limited range and variety of sugar confectionery targeted at children compared to markets found in the west. This segment has not been fully exploited and opportunity exists for alternative products which are not already on the shelf. They should include colourful and fruity sugar confectionery with high quality packaging which should be attractive to appeal to children. However, the price must be right to fit consumer expectations.

The success of the above mentioned products will be at the expense of existing products on the shelf. The US suppliers' marketing strategy for their brands in the market will also be very important. According to the trade, such products will definitely not succeed if pushed into the market without promotional support, in view of the competition that already exists in the market.

Re-export market opportunity exists for the following types of products:

- Chocolate and chocolate products.
- Other sugar confectionery.

Opportunities exist in Malaysia (population of 22 million) and Brunei (population of 0.3 million) for the above mentioned products. These ASEAN countries exhibit similar market demand characteristics to Singapore and therefore the same products and brands imported into Singapore may be re-exported to these countries.

In addition, Malaysia is now starting to come out of its recession and consumer confidence is high. Consumer spending is expected to pick up again over the next three years which shall present opportunities to suppliers of confectionery.

US exporters intending to explore the opportunities highlighted above are advised to perform detailed market research in these markets to better understand the market characteristics and identify in more detail the opportunities for their products types.

4. Consumer tastes and preference

Singaporean do not snack in the same manner as western consumers. If they are hungry in between meals, they will

normally consume a snack meal, i.e. a small meal such as noodles, local cakes and buns, local curry puffs and alike, rather than a chocolate or other sugar confectionery. Local consumers generally do not have a sweet tooth when compared to western consumers. This is because the traditional diet is more inclined to be savoury than sweet. The majority ethnic Chinese consumers also believe that chocolates are “heaty”(not healthy) and over consumption will cause sore throats and other health problems.

In addition, the government’s continuous nationwide drive for a healthy lifestyle has resulted in a large number of consumers becoming better informed about healthy diets and has encouraged many to be more weight conscious. All these act as barriers to increased consumption of confectionery by Singaporeans.

Confectionery, particularly chocolates, are indulgence foods. In an economic downturn, this market segment is usually one of the first to experience a slowdown in demand. This was demonstrated in 1998 when imports of confectionery fell by 22% compared to 1997. Re-export trade also fell that year by close to 40% when most of the ASEAN countries suffered economic downturns.

Despite the barriers mentioned above, Singapore has seen imports of confectionery grow by around 5% per annum over the past five years. The following demand traits exist in this market:

- The chocolate bar market is dominated by Singapore’s sizeable expatriate population with a smaller proportion of Singaporean consumers participating in the market segment. Chocolate bars of 100 grams to 200 grams are popular amongst these group of consumers. Brands are important to them and popular brands include Cadbury (Australia, Malaysia, UK), Mars (Australia), Nestlé (Malaysia, Australia), Hershey’s (USA), Vochelle (Malaysia) and Van Houten (Malaysia).
- An indulgence driven gift market exists which targets the traditional gift giving seasons of Chinese New Year, Hari Raya and Christmas to other recently introduced gift giving seasons such as Valentine’s Day, Teacher’s Day and Mother’s Day. The major gift giving season runs from November through to the following February. This segment is highly sensitive to economic change. Packaging is very important in this market segment and should be attractive and be of high quality. Popular gifts include attractively packaged novelty chocolates and sugar confectionery targeting the children and attractively packaged specialty chocolates targeting the adult consumers. Well known chocolate brands include Guylian (Belgium), Ferrero Rocher (Italy), Nestlé (UK) and Cadbury (UK). Both locals and expatriates are active in this target.
- An indulgence driven chocolate novelties market targeting children. This market is highly sensitive to economic change. The purchasing decision makers are mainly mothers who usually only purchase these products at a whim or on impulse. Popular brands include M&M’s (Mars: USA, Australia), Kit Kat, Smarties, Malteses (Nestlé: Malaysia, UK).
- An indulgence driven Japanese style sugar confectionery market demanded by children. These are very attractively packaged and colourful sugar confectionery popular with young children. They generally have a very fruity taste.

- The traditional local style soft and hard boiled sweets which are not brand driven products. These are the most commonly consumed sugar confectionery which are demanded by both adults and children. They form the bulk of the sugar confectionery demand. Cheaper sugar confectionery such as sweets and candies (US\$ 0.60 for each package) are daily purchase items by children.
- The medicated sweets segment is still a niche segment. This product is demanded by a small number of consumers aged between 15 and 40 years. These products are usually consumed as breath fresheners and a large number of brands exist in the market. Well known brands include Clorets (Thailand), Ricola (Switzerland), Lofthouse's Fisherman's Friend (UK), TicTac (Australia). These products have been pushed as an alternative to chewing gum.

The chocolate bar and gift market segments are highly competitive with large amounts of advertising and promotional activities undertaken by the major international brands. These include Nestlé, Cadbury, Mars and Hershey's in the chocolate bar segment and Guylian (Belgium), Cadbury, Nestlé and Ferrero Rocher (Italy). Most of these brands command premium display spaces in the medium to high end retail stores.

5. Brief import requirements for confectionery

Singapore is virtually a free port. No import duty is imposed on imported chocolates, medicated sweets and other sugar confectionery. A Goods and Services Tax (GST) at the rate of 3% is imposed on the importation of goods into Singapore, calculated based on the CIF (Cost, Insurance, Freight) value in Singapore dollars.

All imported food stuffs have to be registered with the Food Control Department. Registration can be done by sending the Department a copy of the inward declaration that has been approved by the Singapore Trade Development Board. Registration covers a one year period for a particular product.

When food enters Singapore, companies must submit the proper documentation to the Controller of Imports and Exports. An inward cargo manifest must be submitted to Customs within 24 hours of arrival of the carrier. All declarations are required to be submitted and approved electronically through the EDI network called the TradeNet System.

Once the GST has been paid, the confectionery products are allowed to enter Singapore free of any condition unless they are in breach of Singapore's food regulations. The Singapore food regulations are embodied in the Sale of Food Act 1973 and The Food Regulations 1988 and subsequent amendments have been made via subsidiary legislation.

The food regulations cover minimum or permitted levels of a wide range of food additives in each food type, packaging, labelling requirements, sale by date and health claims by products. The regulations are strictly applied and enforced to maintain the highest possible quality for food to ensure the safety of its Singapore residents.

The Singapore government's policy is to keep its food regulations up-to-date and in line with all new aspects of food technology and production. For this reason, the reader is advised to check on the most recent legislation as they are likely to be changes in future.

6. Distribution patterns

The bulk of confectionery products is imported by local importers and agents for distribution to retail outlets throughout Singapore.

Sugar confectionery is distributed to:

- supermarkets and minimarkets
- convenience stores
- petrol station stores
- local neighbourhood grocery stores
- newspaper kiosks.
- gift hamper businesses (only specialty sugar confectionery).

Chocolate and chocolate products are distributed to:

- supermarkets and minimarkets
- convenience stores
- petrol station stores
- local neighbourhood grocery stores
- gift hamper businesses.

The food service sector has no demand for sugar confectionery while demand for chocolate is small and is mainly by high end hotel restaurants. The high end hotel chefs usually produce their own specialty chocolates for sale at their bakery outlets.

Distribution of chocolate in Singapore is challenging because of the hot climate which can rapidly damage the product quality. These products have to be stored and distributed under cool conditions to prevent any deterioration in the quality. Other than chocolate and chocolate products, other confectionery products do not require any special handling although the quality of packaging is important because insect infestation can be a problem in Singapore's distribution system.

US exporters targeting the main supermarket channels should note that most of these businesses now impose listing fees on items such as confectionery and operate category management systems. Under such systems, the performance of a product is closely monitored. If a product's performance fails to satisfy the requirements of the retailer, it will likely be de-listed and removed from the display shelf and replaced by more profitable products.

Appendix A: List of Importers

Lin Jiang Pte Ltd
Block 6001 Bedok Industrial Park C
#02-2286
Singapore 479730
Tel: 242 3319/243 7430
Fax: 462 4591

Karstel Marketing Pte Ltd
10 Jalan Kilang Timor
#05-04 LTH Building
Singapore 159306
Tel: 271 9166
Fax: 273 5792

Santa Boeki Pte Ltd
15 Chin Bee Crescent
Singapore
Tel: 265 8560/ 261 0050
Fax: 265 2682/ 268 2582

Hup Seng (S) Pte Ltd
241 Pandan Loop, #01-01
Singapore
Tel: 776 1782
Fax: 296 0689/ 298 9544

Leaf East Asia Pte Ltd
4A Clementi Loop,
Singapore 129814

Tel/Fax: 463 5502

Harpers Trading (S) Pte Ltd
34 Boon Leat Terrace
Singapore 119866
Tel: 472 2888
Fax: 471 3335

Auric Pacific Marketing Pte Ltd
2 Enterprise Road
Singapore 629814
Tel: 261 8411
Fax: 265 0689

Diethelm Singapore Pte Ltd
34 Boon Leat Terrace
Singapore 119866
Tel: 471 1466
Fax: 479 9104

Ben Foods (S) Pte Ltd
230B Pandan Loop
Singapore
Tel: 778 6655/ 778 7942/ 777 7114
Fax: 777 2869
E-mail: benfoods@mbox3.singnet.com.sg

Locus Foods Asia Pte Ltd
160 Paya Lebar Road, #06-03
Singapore
Tel: 841 4303
Fax: 841 4309

Cold Storage Singapore (1983) Pte Ltd
1, Sophia Road
#06-38 Peace Centre (Rear Podium)
Singapore 228149
Tel: 337 2766
Fax: 334 4090

Petra-SPT Marketing Pte Ltd
13 Woodlands Link

Singapore 738725

Tel: 755 8832

Fax: 755 7715

YLF Marketing Pte Ltd

7 Woodland Link

Singapore 738722

Tel: 755 0177

Fax: 752 0155

Shriro (S) Pte Ltd

11 Chang Charn Road, #06-00

Singapore 159640

Tel: 472 7777

Fax: 473 1291

Liang Tong & Co Pte Ltd

209 Henderson Road, #01-05

Singapore 159551

Tel: 273 9955/ 278 8202

Fax: 278 9960

Focus Network Agencies (S) Pte Ltd

105 Tampine Road, #08-01 Wing Tai Bldg

Singapore 525127

Tel: 858 1800

Fax: 858 1808

Appendix B: Retail Price Samples		
Product type	Brand	Unit Price (S\$)
Chocolate in gift pack	Ferrero Rocher	12.50/300g
Chocolate in gift pack	Lindt	18.00/250g
Chocolate in gift pack	Guylian	12.90/200g
Chocolate in gift pack	Merci	11.50/400g
Chocolate in gift pack	Nestlé After Eight	8.95/300g
Chocolate in gift pack	Nestlé Time Capsule	14.50/450g
Chocolate in gift pack	Cadbury Fun Variety Tube	9.95 each
Chocolates	Mars party size pack	4.25/264g
Chocolates	M&M's party size pack	3.50/200g
Chocolates	Kit Kat party size pack	4.40/238g
Chocolates	Kinder Surprise	2.85/box of 3 (60g)
Chocolate bar	Hershey's	1.30/40g
Chocolate bar	Delfi Milk	1.65/100g
Chocolate bar	Almond Roca	1.80/45g
Chocolate bar	Toblerone	0.95/35g
Chocolate bar	Cadbury	1.90/100g
Chocolate bar	Mars	1.15/65g
Sweets	Fritt Fruit Candy (Strawberry)	1.05/70g
Sweets	V Melle Mini Mentos Mint	1.60/135g
Sweets	Bonkers	0.90/59g
Sweets	Warheads	0.85/29g
Sweets	Wonka Nerds/Gobstopper	1.20/47g
Sweets	Allen's Fox's	2.40/200g
Medicated sweets	Ricola Strawberry Pearls	1.70/25g
Breath freshener	Clorets minimints	1.60/14g
Breath freshener	Frozz	1.00/40g
Breath freshener	Lakerol	1.45/23g
Breath freshener	Halls	1.30/12g
Source: Market observations conducted in November 1999		